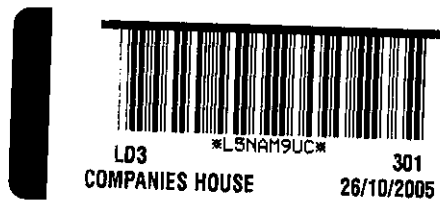


Mowlem International Limited

Directors' report and financial statements

Registered number 398443

31 December 2003



Contents

Directors' report	1
Statement of directors' responsibilities	2
Report of the independent auditors to the members of Mowlem International Limited	3
Profit and loss account	4
Balance sheet	5
Statement of total recognised gains and losses	6
Notes	7

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

Principal activities and business review

During the year the company's principal activity continued to be construction work in the Middle East.

Results

The results for the year ended 31 December 2003 are disclosed in the financial statements on pages 4 to 13.

The directors do not recommend a dividend payment (2002: £nil).

Directors and directors' interests

The directors who held office during the year were as follows:

DJ Booth
GT Brown
CA Graidage
CN Lambert
PG Lewis (appointed 13 March 2003)
Mowlem Management Ltd
D Pilgrim (resigned 30 January 2003)
DJ Ridley

The beneficial interest of the directors, including their wives, husband and children who have not attained majority, in the Ordinary shares of the ultimate holding company, Mowlem plc, required to be disclosed by the Companies Act 1985, except for those directors whose interests are disclosed in the publicly available Mowlem plc consolidated accounts, are as below:

	Ordinary shares of 25p each			
	31 December 2003		31 December 2002	
	Beneficially held	Options	Beneficially held	Options
DJ Booth	6,561	4,311	6,561	4,311
GT Brown	119,335	163,092	132,905	124,164
DJ Ridley	25,156	100,000	20,642	200,000

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution concerning the reappointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

Mary Gibson
Authorized Representative
Mowlem International Ltd
Secretary

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Report of the independent auditors to the members of Mowlem International Limited

We have audited the financial statements on pages 4 to 13.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

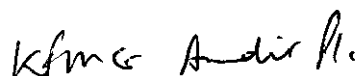
Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor

25 October 2005

P O Box 695
8 Salisbury Square
London
EC4Y 8BB

Profit and loss account

at 31 December 2003

	Note	2003 £	2002 £
Turnover	2	(52,925)	169,875
Operating costs		(124,193)	(789,280)
		<hr/>	<hr/>
Operating loss	3	(177,118)	(619,405)
Interest receivable and similar income	6	-	14,727
Interest payable and similar charges	7	(156,098)	(127,129)
Profit on disposal of fixed assets investment		-	27,547
Impairment of investment		-	(26,000)
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(333,216)	(730,260)
Tax credit on loss on ordinary activities	8	79,957	252,579
		<hr/>	<hr/>
Loss for the year	14	(253,259)	(477,681)
		<hr/>	<hr/>

All activities are continuing.

There is no difference between the results as disclosed in the profit and loss account and the results on an unmodified historical cost basis.

Balance sheet

at 31 December 2003

	Notes	2003 £	£	2002 £	£
Fixed assets					
Tangible assets	9		9		9
Investments	10		2,000		1,364,544
			<u>2,009</u>		<u>1,364,553</u>
Current assets					
Debtors	11	5,107,343		6,747,990	
Cash at bank and in hand		138,511		346,866	
		<u>5,245,854</u>		<u>7,094,856</u>	
Creditors: amounts falling due within one year	12	(5,750,752)		(8,652,275)	
Net current liabilities			(504,898)		(1,557,419)
Net liabilities			<u>(502,889)</u>		<u>(192,866)</u>
Capital and reserves					
Called up share capital	13	5,000		5,000	
Profit and loss account	14	(507,889)		(197,866)	
Shareholders' deficit			<u>(502,889)</u>		<u>(192,866)</u>

These financial statements were approved by the board of directors on 15/09/05 and were signed on its behalf by:

Director



Statement of total recognised gains and losses

for the year ended 31 December 2003

	2003 £	2002 £
Loss for the financial year	(253,259)	(477,681)
Currency translation differences	(56,764)	127,052
	<hr/>	<hr/>
Total recognised gains and losses relating to the financial year	(310,023)	(350,629)
	<hr/>	<hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation

The Company's financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons. The Company is dependent for its working capital on funds provided to it by Mowlem plc, the company's ultimate holding undertaking. Mowlem plc has provided the Company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As will any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue, although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would resort in the basis of preparation being inappropriate.

Profit

Operating profit comprises the results of carrying out of building and civil engineering contracts in the Middle East. It includes the results attributable to contracts completed and contracts in progress after deducting amounts recognised in previous years and after making provision for foreseeable losses. Claims receivable are recognised as income when received or certified for payments, except that in estimating the amounts of foreseeable losses, a prudent and reasonable assessment of such claims is made.

Joint arrangements

The Company's share of the results and net assets of non-incorporated construction joint ventures, which constitute joint arrangements that are not an entity, are proportionately consolidated in the profit and loss account and balance sheet.

Investments

Investments are held at cost, less provisions for any permanent diminution in value.

Foreign currencies

Assets and liabilities denominated or recorded in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Trading results are translated at the average rate for the year. Exchange differences arising on the re-translation of the net assets of overseas operations at the commencement of the year and of their retained results for the year are taken to reserves. Other exchange differences arising in the ordinary course of trading are included in the profit and loss account.

Notes (continued)

Accounting policies (continued)

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Plant and machinery	-	3 to 7 years
---------------------	---	--------------

Taxation

The charge for taxation is based on the profit for the year and takes into account deferred taxation. In accordance with FRS 19 'Deferred Tax', deferred taxation is provided fully and on a non discounted basis at future corporation tax rates in respect of timing differences between profits computed for taxation and accounts purposes.

Contract work in progress

Amounts recoverable on contracts, which include attributable profit on contracts determined on the basis of measured work to the balance sheet date, are included in debtors. Deductions are made for net foreseeable losses and progress payments received.

This policy is applied irrespective of the length of the contract since, in the opinion of the directors, it is not appropriate to adopt a separate accounting policy for short term contracts.

Payments received in excess of amounts recoverable on contracts are included in credit balances on long term contracts.

Pension funding

The anticipated cost to the Company in respect of the Mowlem Group defined benefit pension scheme is charged to the profit and loss account so as to spread the cost over the members' expected scheme working service lives.

As the company is unable to identify its share of the Mowlem plc Group scheme assets and liabilities on a consistent and reasonable basis, on full adoption of FRS17 'Retirement Benefits', contributions to the Group scheme will be accounted for as if it were a defined contribution scheme. Refer to Mowlem plc Group accounts for further detail of the schemes and disclosure.

2 Turnover

Contracting turnover comprises of work executed during the year including the settlement of monetary claims arising from previous years, and includes the Company's share of joint arrangement turnover.

The Company has only one class of business which is generated in the Middle East.

Notes (continued)

3 Operating loss

Operating loss is stated after charging/ (crediting):

	2003 £	2002 £
Auditors' remuneration - audit	1,000	310
Exchange (gains) / losses	(28,736)	11,748
	<u> </u>	<u> </u>

4 Remuneration of directors

The directors of the Company are employed by Mowlem plc and are remunerated by that company in respect of their services to the group as a whole. They receive no emoluments from this Company.

5 Staff numbers and costs

The average number of persons employed by the Company and Joint Ventures (including directors) during the year was 2 (2002: 15).

The aggregate payroll of these persons was as follows:

	2003 £	2002 £
Wage and salaries	137,490	133,475
Social Security costs	189	237
Other pension costs	11,255	10,859
	<u> </u>	<u> </u>
	148,934	144,571
	<u> </u>	<u> </u>

6 Interest receivable and similar income

	2003 £	2002 £
Bank interest receivable	-	14,727
	<u> </u>	<u> </u>

Notes (continued)

7 Interest payable and similar charges

	2003 £	2002 £
Bank interest payable	124,410	-
Amounts payable to ultimate parent company	31,688	127,129
	<u>156,098</u>	<u>127,129</u>

8 Tax credit on loss on ordinary activities

i) Analysis of credit for the year

	2003 £	2002 £
Group relief receivable	83,159	216,116
Adjustments in respect of previous periods	(3,202)	30,941
	<u>79,957</u>	<u>247,057</u>
Total current tax credit	79,957	247,057
Deferred tax	-	5,522
	<u>79,957</u>	<u>252,579</u>

ii) Factors affecting tax credit for the year

	2003 £	2002 £
Loss on ordinary activities before tax	333,216	730,260
	<u>99,965</u>	<u>219,078</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30 per cent (2002: 30 per cent)	99,965	219,078
Effects of:		
Adjustments in respect of previous periods	(3,202)	30,941
Other	(16,806)	(2,962)
	<u>79,957</u>	<u>247,057</u>

There is no actual or potential liability for deferred tax.

Notes (continued)

9 Tangible fixed assets

	Plant and Machinery £
<i>Cost</i>	
As at 1 January and 31 December 2003	24,487
<i>Depreciation</i>	
As at 1 January and 31 December 2003	(24,478)
<i>Net book value</i>	
At 31 December 2003 and 31 December 2002	9

10 Investments

	Shares in Mowlem Gibraltar Ltd £	Participating interest in Masood Mowlem Ltd £	Total £
<i>Cost</i>			
At 1 January 2003	-	1,658,206	1,658,206
Additions	2,000	-	2,000
Liquidation	-	(1,658,206)	(1,658,206)
At 31 December 2003	2,000	-	2,000
<i>Provisions</i>			
At 1 January 2003	-	293,662	293,662
Liquidation	-	(293,662)	(293,662)
At 31 December 2003	-	-	-
<i>Net book value</i>			
As at 31 December 2003	2,000	-	2,000
As at 31 December 2002	-	1,364,544	1,364,544

Mowlem International Limited held a 49% interest in Masood Mowlem Ltd. Masood Mowlem Ltd was put into voluntary liquidation in 2003, as the company had been unable to obtain any contracts since inception.

Notes (continued)

11 Debtors

	2003	2002
	£	£
Amounts recoverable on contracts	2,762,870	3,674,051
Trade debtors	-	721,985
Other debtors	2,344,473	2,119,741
Overseas tax	-	11,014
UK tax	-	221,199
	<u>5,107,343</u>	<u>6,747,990</u>

12 Creditors: amounts falling due within one year

	2003	2002
	£	£
Bank overdraft	1,736,917	2,148,749
Trade creditors	376,628	714,657
Amounts owed to parent company	819,102	3,124,998
Other creditors	2,549,731	2,554,499
UK taxation and social security	46,873	9,883
Accruals and deferred income	221,501	99,489
	<u>5,750,752</u>	<u>8,652,275</u>

13 Called up share capital

	2003	2002
	£	£
<i>Authorised</i>		
5,000 ordinary shares of £1 each	5,000	5,000
<i>Allotted, called up and fully paid</i>		
5,000 ordinary shares of £1 each	5,000	5,000

Notes (continued)

14 Reconciliation of movements in shareholders' deficit

	Share capital	Profit and loss account	2003	2002
	£	£	£	£
At 1 January 2003	5,000	(197,866)	(192,866)	157,763
Currency translation	-	(56,764)	(56,764)	127,052
Retained loss for the year	-	(253,259)	(253,259)	(477,681)
Closing shareholders' deficit	5,000	(507,889)	(502,889)	(192,866)

15 Cash flow statement

Under FRS 1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking. A cash flow statement is prepared by the ultimate holding company.

16 Related party transactions

As a wholly owned subsidiary of the Mowlem plc group, the company is exempt from the requirements of FRS 8 'Related Party Transactions', to disclose transactions with entities that are part of the group qualifying as related parties.

17 Ultimate and controlling holding company

The ultimate and controlling holding company is Mowlem plc which is registered in England and Wales. Copies of the accounts of the company may be obtained from White Lion Court, Swan Street, Isleworth, Middlesex TW7 6RN.